



RESTRUCTURING ASSISTANCE AND POLICY ADVICE FOR THE MINISTRY OF AGRICULTURE OF GEORGIA

Contract No. LAG-I-00-98-00026-00, Task Order 804
BASIS IQC

PROJECT SELF-ASSESSMENT AND ACTIVITY CONCEPT PAPER

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PROJECT MISSION

To assist the transformation of the Ministry of Agriculture of Georgia into an effective, honest agency of market-oriented government that more effectively facilitates increasing the welfare of the country's agri-food producers and consumers.

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This self-assessment of the Restructuring Assistance and Policy Advice for the Ministry of Agriculture of Georgia (RAPA) project has been prepared under the Phase IIIa scope of work for the RAPA.¹ “Task B” there states that:

The contractor will undertake a project self-assessment of past and present activities. The deliverable for this assessment will be a written evaluation, including a concept paper containing recommendations for project activities to be carried out during a possible additional option period of up to 12 months.² ... The results of this self-assessment and resultant recommendations for future activities are due no later than February 27, 2004. ... A work plan ... will [then] be submitted by DAI by June 1, 2004.

The following self-assessment is based on extensive discussions among project staff and, in particular, on a workshop held on February 21, 2004 (Annex 2). This workshop had originally been planned for late January or early February, 2004, and was to have been held in conjunction with a retreat involving Ministry of Agriculture staff to discuss further activities. However, the unexpected decision by the newly-elected President of Georgia to replace the Minister has delayed final discussion of future activities with the Ministry. David Shervashidze, who had been serving as a Deputy Minister of Agriculture and Food, assumed office as Minister of Agriculture only on February 17, 2004. Shervashidze has already publicly declared that he intends to proceed with and accelerate institutional change in the Ministry.

This note summarizes project background, the diagnosis of the Ministry’s weaknesses and the strategy adopted to address those weaknesses. It then presents many of the project’s major successes, some activities that have been less than successful although they still offered important lessons, and some activities which are still in progress. Following sections consider reasons for the successes and failures, offers a preliminary evaluation of project strategy, and finally considers major anticipated activities.

PROJECT BACKGROUND

The present Ministry of Agriculture of Georgia, chartered by a Presidential decree of November 17, 1997, is the latest incarnation of an institution which has existed, in one form or another, throughout almost the whole Soviet and post-Soviet period, and which has always been primarily concerned with directing agricultural production. The Ministry is organized hierarchically with smaller versions of its major departments located in each district of the country. As a consequence of the breakup of the Soviet Union and, in

¹ The Law of Georgia “On the Structure and Activities of the Executive Branch” adopted on February 13, 2004, dropped “and Food” from the official name of the Ministry of Agriculture of Georgia.

² The scope of work goes on to request an “Option A” and “Option B” for the final 12 months of the activity. Option B would have a reduced level of effort. At this point, the project’s cost is largely in labor, as capital investments have been made, and office space and basic utilities are provided by the Ministry of Agriculture as an in-kind contribution. The cost of the expatriate advisor, including housing, security, translators, etc., is at least equal to the total cost of all other project staff. Therefore, while it may make sense to reduce the level of effort in some areas or to refocus it, the final section of this paper presents a set of activities that will be refined in further discussions between the contractor, USAID Mission, and the Ministry of Agriculture between now and June 1, 2004, when a final work plan for phase III is to be submitted, rather than two formal options.

Georgia, the extensive civil conflicts that accompanied and followed that disintegration, however, the Ministry has largely lost control of “its” local units.

The USAID-supported RAPA responded to former Georgian Minister of Agriculture and Food David Kirvalidze’s October 2000 letter to USAID, the IMF, the World Bank, the European Commission and others requesting donor support for a “temporary agricultural policy analysis group.”³

The project’s three primary activities were specified in its original task order and by the USAID/Caucasus Mission Director at project inception as:

- Providing a policy advisor who can build a close working relationship with the Minister
- Supporting reform of the Ministry as an agency of the Government of Georgia to make it useful and effective in a market economy
- Carrying out analytical and other work to ensure that the Ministry of Agriculture receives “best practice” advice about both its policy and institutional form

These are, in essence, the classical functions of an agricultural policy unit, and then-Minister Kirvalidze’s original request was clear in saying that such a unit was what he sought⁴. Various donors have supported such units in many of the transition economies of Central Europe and the former Soviet Union. The most successful APU and the model for others is the Agricultural Policy Analysis Unit of the Foundation for Assistance Programs to Agriculture (SAEPR) in Poland which is supported by the World Bank, the European Union, USAID and the Polish government. A USAID-supported APU has operated successfully in Ukraine since 1999. One of the three principal recommendations for advancing agricultural sector reform in Georgia made by the CASE analysts led by former Polish Minister of Finance Leszek Balcerowicz in the spring of 2001 was for the establishment of such a unit in the Georgian Ministry of Agriculture.

Agricultural Policy Units:

- help develop and implement market-oriented agricultural policy;
- train their staff in Western analytic techniques and approaches;

³ The RAPA project, conducted by Development Alternatives, Incorporated (DAI) as a task order under the USAID BASIS indefinite quantity contract, began in December 2000 when the USAID mission arranged an initial two-week visit to Georgia for the proposed expatriate senior advisor and began its formal Phase I operations on February 3, 2001. The project is now in its Phase IIIa to end June 30, 2004, with USAID having the option for a Phase IIIb to extend through June 30, 2005.

Phase I	February 3, 2001-May 28, 2001
Phase I no-cost extensions	May 29-August 28, 2001
Phase II	August 29, 2001-August 28, 2002
Phase II extension	August 29, 2002-December 31, 2003
Phase IIIa	January 1, 2004-June 30, 2004
Phase IIIb [pending option]	July 1, 2004-June 30, 2005

⁴ In addition to these sorts of assistance, Minister Kirvalidze also asked for help inventorying Ministry property. The RAPA terms of reference did not include this activity, but the project played a key role in mobilizing World Bank support, in both the first and second Agricultural Development Project Risk Assessment Exercises, to get this inventory done.

- serve as points of contact between donors and recipients; and
- act as catalysts in transforming the structure and functions of government agencies concerned with agricultural policy.

Successful agricultural policy units such as the Polish SAEPR drive overall agricultural reform in their country. Like all public policy activities, they blend quality research, data collection and analysis with policy advice and advocacy that flows organically from their attempts to carefully and critically understand the real situation and issues in the sector, to develop policy alternatives to address those issues, and to dispassionately present the costs and benefits of those alternatives to policy-makers. Although initiated and supported by donors, APUs are locally-run and managed, and do not work if they do not eventually acquire value and importance in the eyes of the country's agricultural policy-makers. The SAEPR was eventually institutionalized in the form of a foundation incorporated in Poland supported by funds from a variety of domestic and international sources. Its work, and the people it trained, have played a key role in moving Poland toward the European Union.

As with the SAEPR in the comparatively much wealthier Poland, the RAPA-based policy unit in the Georgian Ministry of Agriculture is likely to need some donor support for a considerable period of time. However, also like the SAEPR or its Ukrainian cousin a relatively low level of support from a variety of international and domestic sources can suffice to create a catalyst for many beneficial changes. That support can most usefully come, as it has in both those other cases, from shifting coalitions of donors and a variety of sources.

A well-functioning APU will multiply the effectiveness of pressure from outside the government from policy change. Such pressure from civil society is critical if better policy is to be developed and implemented. Yet an entrepreneur or a business association is most deeply concerned with immediate policy problems encountered in trying to do business. So such "demand driven" policy reform is likely to be narrowly focused at the immediate objective of the businesses concerned, and in a weak regulatory environment may actually run counter to good policy by furthering too-specific goals. "Demand-driven" policy also tends to be reactive. In a poorly-functioning market economy like Georgia businesses are often too busy trying to survive to do much systematic thinking about their future, nor do they often have the time and resources to stay abreast of issues that do not obviously directly concern them. A well functioning APU can help to alert the Georgian government, the private sector and the donor community to potential policy problems before they become real constraints to economic activity.

DIAGNOSIS OF THE MINISTRY

Ministries of agriculture in market economies perform a host of regulatory and "public good" activities which, although they may be described in ways that seem familiar to Ministry of Agriculture staff, are in fact quite different.⁵ Many of those functions are of vital importance to making the market function smoothly, and the fact that they are not

⁵ See Ken Swanberg, et al., "Comparative Study of Ministries of Agriculture" (Bethesda: DAI, 2001), commissioned for the RAPA project under this task order.

done in Georgia but certainly should be is frequently noted.⁶ However, the Ministry of Agriculture did very few of them when the project began.

The diagnosis of the Ministry done when the project began in 2001 identified several underlying weaknesses:

1. The Ministry of Agriculture has been a Soviet-style organization operating in a Soviet-type government. That is, missions, procedures and mindsets have remained those of the Soviet command economy. Moreover, employees have continued to behave in Soviet ways, hoarding information, failing to report fully and truthfully to their superiors, and generally not acting as a cohesive organization with a common mission—and common threats and possible penalties (i.e., unemployment) if the organization's core missions are not reasonably well performed.
2. The Ministry of Agriculture has had very weak management and no effective internal controls. The Ministry has continued to operate as part of a single command-economy structure in which organization boundaries have been very fluid and have had little meaning. To the extent they existed, those management checks and balances used to be provided by the parallel organization of the Communist Party, and no new procedures or institutions have yet evolved to replace the Party.
3. The Ministry has been almost entirely irrelevant to the political, administrative, and governmental needs of a successful market economy. Most of the work the Ministry of Agriculture has done is not done at all, or is performed by the private sector or other political bodies, in developed market economies. Much of the basic work of ministries of agriculture in OECD countries, particularly market development, general research and data collection and dissemination, and agricultural extension, has not been done at all by the present Ministry of Agriculture.
4. The Ministry of Agriculture possesses little systematic information about its sector. In this regard, it is probably worse off than any other post-Soviet Ministry of Agriculture. Nor does it possess a culture which values systematic, consistent and careful data or the research skills needed to generate such data and draw policy conclusions. As a result, it is very poorly equipped to serve its clients, whether agricultural producers or consumers, in ways that they would be likely to see as valuable.
5. The Ministry of Agriculture's capacity to absorb donor assistance usefully, or even to track it properly, has been overwhelmed. Almost every donor project that has been implemented in cooperation with the Ministry of Agriculture since Georgia regained its independence has been under- or mismanaged in such a way that the present Ministry leadership identifies it as a problem, in some cases involving significant legal and financial liabilities for the Ministry of Agriculture

⁶ See, for instance, the report of former head of the Netherlands Ministry of Agriculture Department of Veterinary Services Dr. Cornelius Cysouw on his examination of the Veterinary Department, "Veterinary Mission to Georgia on behalf of the Ministries of Agriculture of Georgia and the Netherlands" (August 13, 2002).

and the Government of Georgia. More efforts are required to ensure that the continuing quest for resources from donors—a quest which the Ministry of Agriculture must inevitably pursue—does not create new difficulties akin to the ones that have now been cleaned up.

6. As a result of these conditions, the present Ministry leadership has been almost entirely occupied in trying to cope with the mess they had inherited, and so unable to concentrate on thinking about what they should be doing, redesigning the Ministry's institutions, or providing better service to their clients.

Significant—but not sufficient—progress has been made on many of these issues since the diagnosis was written in 2001. One staff member who has recently worked closely with several other Georgian government agencies suggests that the Ministry of Agriculture is now the best-functioning of all Georgian government Ministries--but that assessment, if true, is still faint praise. Former Minister Kirvalidze summed up the present situation follows in a recent conversation:

When I came into this Ministry [in 2000], there was literally only one other person with whom I could even talk. Now the next minister will inherit an organization that can be managed.

There is still a long way to go in remedying the weaknesses noted above, but, as the staff noted at the self-assessment workshop, a start has been made.

PROJECT STRATEGY

The essential assumption behind all the project's activity is that the Minister actively wants donor assistance to restructure the ministry and develop policy. Although "political will" varies from issue to issue and time to time, the project would make no sense unless the Minister will help it succeed. Moreover, it must be assumed that he has sufficient autonomy as a Minister, and support from higher levels of the Government of Georgia, that he can help the project to succeed.

Further, it was assumed that the RAPA was to act in the interest of the Ministry as a whole, not in the interests of one or another of its subordinate officials or units. This assumption is worth spelling out because, as the value of the project became clearer to Ministry staff, they tended increasingly to try to co-opt its resources for their own internecine struggles.

Since the Ministry lacked a clear set of priorities or a conception of prioritizing, one key purpose at all times has been to drive the development of policy, the ability to understand and choose between desirable goals and to allocate insufficient means among them. Since the Minister lacked the power—although he had more than sufficient formal responsibility—to pursue a coherent policy, a second key goal at all times was to increase his power within the organization. Since Georgia regained its independence in 1991, the Ministry has come increasingly to resemble a feudal state with independent barons only nominally subordinate to the Minister. The project's response was to work to recentralize and accumulate central power similar to what occurred at the end of the middle ages in Europe. As policy priorities were clarified, it would be simultaneously necessary to increase the Minister's power to carry out his policy.

The strategy developed in 2001 has been followed throughout the project. The Phase III technical proposal submitted in 2003 summarized the approach of the project as follows:

1. Integrate policy analysis and public administration. Organization needs purpose and ideas need structure.
2. The Ministry of Agriculture structure should be simplified, its lines of authority clarified, and its organizational capacity strengthened and improved.
3. Follow a strategy of what is politically possible within a strong overall vision of reform. The Ministry of Agriculture remains very fragmented, and almost all of its middle-level managers have strong political protectors. Therefore, while understanding that the ultimate goal is a much simpler, much stronger organization, it may be necessary at times to move towards that goal gradually. This does not, of course, mean that systemic changes are either unnecessary or impossible. The project must build the political resources to carry them out successfully and so should pick the timing and nature of systemic reforms very carefully.
4. Use Georgian labor wherever possible. The basic problems are not difficult to understand, but actually putting solutions into place can only be done by local people with strong support from the donor community. The purpose of this project is to assist the Ministry of Agriculture to change, not just to recommend how it should change.
5. Combine resources with other donors wherever possible. The Ministry of Agriculture works with all donors, and its concerns and issues of its restructuring cut across many sectors. Moreover, resources for the work are limited. Therefore close cooperation with other donors is absolutely necessary.

SUCCESES

This and the following two sections briefly consider major successes, failures and cases on which results cannot yet be determined in the project's work to date in order to evaluate the overall strategy discussed above. These descriptions are of necessity rather cryptic. Fuller explanations can be found in the project's periodic reports.

Policy analysis

Policy analysis involves collection and systematization of information and the use of appropriate analytic tools to help decision makers understand issues, define possible courses of action, and understand the costs and benefits of those possibilities. Much of the RAPA's work in this area has been aimed to bring issues to the attention of decision-makers, both in the Ministry and in the donor community and, to the extent possible, to anticipate issues before they have emerged in the public consciousness.

Minister Kirvalidze requested project staff to assist with the drafting of a medium-term strategy for the sector in 2001. Work to develop this strategy, which was also used as the Ministry contribution to the Poverty Reduction and Economic Growth Program of Georgia, continued through 2002 and 2003. The project advised, and sometimes objected strongly, on issues of substance, although the strategy is the Minister's and the Ministry's,

not the project's, and also advised the Minister on its presentation. Work on strategy and priorities continues.

Working with Ministry of Agriculture staff, the project has done major research and analyses of the bread and food-grain sector, comparative agricultural taxation in Georgia and its neighbors, and Georgia's World Trade Organization obligations and possibilities. These studies have formed the basis of a number of legislative initiatives. The WTO work, in particular, has led to greatly increased awareness in the Ministry of the consequences for the agri-food sector of WTO membership, emphasized the Minister's participation in the Cancun WTO summit.

At the request of the Ministry, project staff have continued to monitor foreign markets, in particular the grain market, foreign trade regulations and international aid and technical assistance policies and procedures.

At the request of then-Minister Kirvalidze, project staff prepared a comparative study of the institutional organization of food safety and quality-monitoring institutions and procedures in a variety of OECD countries. These studies, as well as translations of European Union materials and directives, helped shape the Ministry's awareness of food safety issues and led to the Minister's proposals on "unified" agricultural inspections as well as receptiveness to the recent World Bank project preparation work.

The RAPA project also raised the issue of adoption of international food standards and brought the issue of adopting standards based on Codex Alimentarius, the international food standards body jointly convened by the United Nations Food and Agriculture Organization and the World Health Organization to the attention of the Georgian public. The project also supported translation of many of these standards into Georgian and continues to work with the SAVE and World Learning START projects to assist Georgia to adopt international standards. This work has also led into the present work to draft a new Food Law discussed further in the "future activities" section below.

In the summer of 2003, the RAPA project played an important part in analyzing the issues and monitoring political developments concerning bread prices.

One member of the project staff has worked almost full-time on harmonization of Georgian agricultural sector legislation with European Union norms for the past year. He has identified the relevant documents, assisted Ministry staff with translation and interpretation, and helped to work out their implications.

As part of the process of improving the Ministry staff's awareness of international issues and best practices on a variety of agricultural-related subjects, the project has also translated a large variety of materials into Georgian. Some of these items can be found on either the ministry (www.maf.ge) or project (www.rapa-dai.com.ge) web sites and a full list can be found in the project's quarterly reports, also on the project web site.

Anti-Corruption Work

Minister Kirvalidze inherited a variety of questionable deals and issues of the use of donor assistance when he became Minister. At his request, three project staff members traced the use of funds from the TACIS RARP project's budget component, more than

ten million US dollars, and assisted with efforts to make recoveries and defend against claims where appropriate. The RAPA-supported Ministry Internal Control Unit similarly examined the Japanese 2KR agricultural equipment grant and eventually recovered about US\$ 50,000 as well as renegotiating many contracts.

The project assisted the Ministry in changing the leadership of the state-owned “State Regulatory Board” corporation (now Ltd “Agrisystems”), removing a management renowned for both venality and incompetence.

The ICU carried out an audit of a number of agencies and foundations established under a previous minister that had served to funnel state funds to his political party and other private activities and assisted in their liquidation. It also examined claims of large scale looting and sale for scrap value of irrigation pipe and equipment in Kakheti.

The reports on the RARP, sports foundation and irrigation investigations were referred to either or both the Georgian Anti-Corruption Commission or the Prosecutor’s Office by the Ministry for action at the time they were completed. Regrettably, no follow-up is known to have been done by those bodies.

Ministry restructuring

The Ministry of Agriculture had grown by accretion as much as by design. When the project began, it had some 36 autonomous units and 4,400 employees. The Ministry system needs both simplification and reduction in size. The RAPA has assisted the Ministry in reducing both the number of units (to 22) and the number of employees (to 2,295, a 48 percent reduction). This assistance included help with design of the new units, legal drafting related to the work and legal advice. Further severe pruning is being done.

The project also prepared and presented to Ministry management a draft scheme for a complete reorganization of its major units (Annex 3). The scheme, which continues to evolve, has been repeatedly discussed with the Ministry and accepted in principle by Ministry senior management.

The project assisted the Ministry in analyzing and preparing for disposal of 89 state-owned corporations (limited-liability and joint-stock companies) that were formed from various pieces of the Ministry in the late 1990s. As directed by Georgian law, these units were transferred to the Ministry of State Property Management (now part of the Ministry of Economy) although the project had recommended that most be simply liquidated.

The RAPA helped to organize and support an Internal Control Unit in the Ministry. This unit, with four project employees and two or three ministry ones, formed the first effective control unit within the Ministry. The internal audit function should be permanent and the Ministry has sought budget financing for it.

The ICU played a particularly important role in supporting a Chamber of Control audit which led to the ouster of the long-time chairman of the Phytosanitary Quarantine Inspection, who had turned that agency into his personal fiefdom and was known within the Ministry for both his blatant corruption and his bully-boy tactics. Although litigation surrounding his removal continues three years later, the Phytosanitary Inspection has been

subjected to a preliminary reorganization, eliminating illegal and excess employees and beginning its transformation into an effective plant-health agency. Earlier this week that department, with legal assistance from RAPA, finally defeated all legal challenges to the reduction in staff numbers.

Institutional strengthening

In parallel with institutional redesign, the RAPA project has also contributing to strengthening the Ministry's overall organization, the systems that hold an institution together. In particular, it has supported the work of the Ministry's press office, provided training and support for the Ministry Central Apparatus accounting office, including assistance with computerizing routine bookkeeping (now completed and in regular use), supported the establishment of a computer network in the Ministry and providing training and front-line user consulting for it.

A project staff member designed a simple data base to be used for document archiving and circulation by the Ministry's chancellery. This program is now being routinely used in the Ministry's chancellery and will be rolled out to the whole Central Apparatus in the near future.

The RAPA supports and maintains a web site for the Ministry (www.maf.ge) in parallel with its own site (www.rapa-dai.com.ge). The Ministry site includes a staff directory for the Ministry, press releases and similar information, access to the Georgian translations of Codex Alimentarius standards, and licenses and permits issued by the various Ministry departments.

The project also supports English-language training for the Ministry staff, something begun at the express request of the Minister, as well as working with the World Bank RAE to provide accounting and other technical training.

LESS THAN SUCCESSES

The logical opposite of the heading "success" is, of course, "failure." However, while it would be wrong to call the activities discussed here "successes," it would also be wrong to term them outright failures, as each activity taught valuable lessons to RAPA and the Ministry.

December 2001 Personnel Review

The Law of Georgia "On Civil Service" provides that all civil servants are to undergo a review ("attestation") once every three years. They cannot be reviewed more often, nor, in general, can they be terminated in between reviews. Lack of funds to pay them as such is not a legal ground for termination. Reduction of the authorized staff level in the budget is, however.

In November-December 2001 the RAPA project, at the request of the Ministry, assisted in organizing a scheduled personnel review in the Ministry Central Apparatus. The task of chairing the review was given to First Deputy Minister Mamaladze, who repeatedly declared that he did not want to see staff suffer from losing their jobs. As a result, the review commission, on which the project had no direct voice as a result of guidance from

the then AID Mission Caucasus lawyer, who had strictly limited the project's role in the review in order not to encounter legal problems that had bedeviled similar efforts in the Ministry of Tax Revenue, decided to make the questions for the review open and circulated in advance. But instead of circulating the more than 1,000 questions that had been commissioned for the various departments, the review commission circulated only the 25 that would be on the test, and did so with the multiple-choice answers. These decisions were made at the last minute and by the time the project management learned of them it was too late to protest effectively. Because of the government crisis that occurred at the same time, the Minister was temporarily suspended, so that he, too, was unable to intervene. Since the First Deputy Minister was in temporary charge of the Ministry, protests from Deputy Minister Tkeshelashvili and others on the review commission were also ignored.

All Ministry staff subject to review passed the test and retained their positions, although far from all received a perfect mark.

As a device to reduce personnel numbers this review failed laughably. On the other hand, it was the first time such a review had even been seriously attempted in the Ministry, and the staff took it seriously. Moreover, as several RAPA staff commented in the project review workshop, this "failure" (what they called at the workshop a "lite" personnel review) had the very useful effect that it convinced the staff that the purpose of the project was not simply to cut off heads, and made it possible for the project to work with the much more amicably with the Ministry staff. That reductions in force are still needed, and that a tougher attestation should be held next time goes without saying.

First Risk Assessment Exercise

The "Risk Assessment Exercise" was a short-term project, funded by the World Bank from the Agricultural Development Project, but designed by RAPA staff to provide the Ministry of Agriculture with the auditing and inventory services that the Minister had requested but USAID chose not to include in the RAPA scope of work. The Minister further agreed that the unit would work closely with the RAPA. The budget was designed to fill in some holes in the RAPA project budget, particularly to provide additional funds to cover in-country travel so that the inventory and audit of far-flung Ministry assets could be carried out on the spot, as it needed to be. A RAPA staff member did the final work of preparing and agreeing the documents with the World Bank.

Unfortunately, the person intended as the RAE manager took a leave for training in Germany shortly before the RAE was to begin operations. As a result, Deputy Minister Tkeshelashvili, who was designated in the Scope of Work as the RAE's direct counterpart requested that someone else act as the RAE lead consultant on behalf of the Ministry and RAPA. A replacement RAE head was found and hired, but as he was not really familiar either with the RAPA or with the RAE terms of reference, the unit concentrated for several months on carrying out immediate tasks for the deputy minister rather than fulfilling its terms of reference. It was also decided to save money by not purchasing a vehicle and eliminating most travel, so that the planned inventory and audit was done as a desk study. Less than half the budget planned was spent, but the work was not entirely completed.

Although this unit did not do all it should have, it did make a significant contribution to the overall restructuring of the Ministry. The experience taught the deputy minister involved a good deal about donor projects and their procedures. Overcommitment kept RAPA senior staff from working as closely with the RAE as they should have. The experience also emphasizes how easy it is to forget that people trained in the Soviet system do not share the cultural context assumed by Western consultants and donors.

Veterinary Law

The Veterinary Department of the Ministry of Agriculture certifies all, and employs almost all, veterinarians in Georgia, including all those involved in providing primary services to farms. Under the Law on Veterinary Affairs it also has the right and duty of inspecting and certifying as fit for sale all produce sold in farmers' markets.

The state budget has not for some years been able to support the number of people on the rolls of the Department, and their basic supplies had been paid for by the Food Security Program. Moreover, the Department's laboratories are renowned both for incompetence and corruption. The FSP therefore included as a condition on its 2002 budget support program for Georgia that all primary veterinary services, including laboratories at markets, must be privatized. In 2002, the Ministry set up a commission to design a reform of the Veterinary Department and particularly to privatize primary veterinary services. This commission designed a reform under which all but six of the job slots freed by privatizing primary care would be moved into the Department's management and specialist apparatus, and wrote a new draft Veterinary Law which, while essentially the same as the existing law, did require privatization of primary veterinary services. The Ministry duly submitted this draft law to the Government, which approved it and passed it to parliament in late 2002.

However, the head of the Veterinary Department's Central Laboratory and his brother, the rector of the National Veterinary University, concerned that the reform would eliminate jobs for their fellow professionals, lobbied the Agrarian Committee of Parliament, which had to consider the draft before reporting it out to the full parliament, to remove the privatization provisions. The Committee cut them. The modified bill was then reported out and a Committee member—who was also a professional veterinarian—requested that the full parliament pass it under a simplified and expedited procedure and prepared to speak for the modified legislation on the parliamentary floor. On December 25th the Ministry asked that the USAID mission director and a representative of the Food Security Program urgently express opposition to the modified bill to the Parliament, which they did. Following a stiff letter from the FSP consultant, the bill was finally tabled, although it apparently never was removed from the calendar of active legislative drafts to be considered at some future date (with the end of the 1999 Parliament's powers, the bill is now apparently really dead). It is worth noting that the Committee member who carried the bill commented on verbal reports that the Food Security Program would consider not paying the next tranche to Georgia unless the bill were, at least, not passed in the anti-privatization form, that "you could have scared us with that two years ago, but it won't work any more." Fortunately, the formal written statement was more credible.

Restructuring Commission/Benchmarks

By mid-2002, it was clear to the staff of the RAPA project that it was appropriate to develop a more systematic approach to restructuring ministry units than had previously

been possible. Moreover, the USAID mission, which had indicated that the project's Phase II work plan should include a minimum of indicators, insisted in the scope of work for the Phase II extension that a number of defined benchmarks be established and regularly reviewed. (That scope of work dealt only with restructuring, not even mentioning the policy advice and analysis functions though tacitly expecting them to continue.) Therefore, the project staff, in consultation with the Minister and his deputies, developed such a plan, and USAID approved it.

One requirement of that plan was the adoption of an explicit mission statement by the Ministry. After very considerable debate, a short statement emphasizing service to the public was adopted. In addition, the benchmarks required that a steering committee of senior Ministry management, a "restructuring commission," be established. The Minister chose not to chair this body himself, instead assigning that duty to Deputy Minister Tkeshelashvili. Both Deputy Minister Grigolia and Deputy Minister Shervashidze were made members.

Although the plan had been extensively discussed with Ministry management before it was presented to USAID and adopted, it developed as work progressed that many of those involved, perhaps including the senior ministry management, did not really understand the reasons for the changes that had been proposed. Moreover, the Minister's political position nationally continued to weaken steadily during late 2002-2003. As the parliamentary elections came to be an overwhelming concern among the political elite, the Minister came under increasing fire for failing to use his organization and its resources to help the ruling party retain power. In mid-summer the Minister was almost replaced. These events made it impossible to pass enabling legislation or to motivate many ministry employees—who saw more direct threats to their jobs than those posed by restructuring—to focus on structural changes or organizational development.

By mid year, it was even noted by project staff that some minutes of the restructuring commission that had previously confirmed decisions to expeditiously liquidate certain units, somehow no longer said that in their final versions. It has been noted that minutes at the Commission's meetings, like those of many other meetings in project staff's experience in Georgia and elsewhere, are not very scrupulously kept, so it is not at all clear that the changes were deliberate. But in any event the political pressure had become too much for the Ministry to risk much change that would lose it additional supporters. What could be done without parliamentary support and with a distracted Ministry management was done, but much could not be completed.

In addition to the political difficulties, this experience also pointed up a further problem. The Ministry of Agriculture is a large and complex organization not only because of its history and Soviet heritage, but also because of what it does and the fact that it does it in the countryside. The benchmarks were a systematic plan to do the main things that would need doing to radically transform the Ministry. The minimum required to transform the Ministry in one shot, however, turned out to be a very great deal. Moreover, the technical nature of much of what the Ministry does meant that to actually change the operations of a large subunit like the Veterinary Department required a greater level of effort, especially of international experts, than the project by itself or the occasional short-term consultant, such as the Dutch Veterinarian Cor Cysouw, that the project was able to mobilize. The RAPA project, even in conjunction with the Ministry, simply did not have

the financial or human resources to carry out the whole systematic restructuring in the time frame of the benchmarks.

IN THE AIR

A good many efforts by the project, including several that grow out of the benchmark restructuring plan, remain in progress at this time.

Inspection Unification

The Ministry possesses a number of units with the power to “inspect” and levy fines. RAPA and the ministry management have sought to reduce the number and intrusiveness of these agencies while increasing their real effectiveness. Under pressure from the donors to simplify and clarify the regulatory environment, the Anti-Corruption Commission of Georgia insisted that the Ministry have not more than one “inspection,” from which developed the idea of a “unified inspection.” The RAPA staff devoted considerable effort to examining how the Veterinary, Phytosanitary, and Grain inspections could be rolled together, but, as a result of the difficulties with the Veterinary Law, it became clear that the necessary legal changes could not be made. Moreover, as the project staff studied the issue further and, recently, spoke with World Bank consultants brought in specifically to look at food safety issues, it became less clear that a single inspection was the best way to proceed. At present, the RAPA favors separate Veterinary and Phytosanitary (plant health) units as proposed by the World Bank, while still eliminating the Agricultural Products and Grain Inspection and rolling drastically reduced seed and selection agencies into the new Phytosanitary department.

Management Information System

A logical development from the Ministry’s improved bookkeeping would be a more complete budgeting system which would give management some idea not only of what had been spent, but what had been committed, what was available, and how to spend it. Work to develop this broader budget built on the budgeting system for tracking FSP funds developed by FSP consultants and also an unsuccessful TACIS project.

However, the Ministry management never really understood the advantages of such a system, instead arguing that since in 2003 almost no funds were paid by the FSP or anyone else to the Ministry, a system for tracking money was of no interest or use. A just-completed TACIS design mission assigned to draw up a new project to create a modern and effective budget-management system in the Ministry found that the FSP system was no longer being used by the Ministry.

Seed and Selection laws

At the request of the Ministry—apparently in part as a response to a condition suggested in a memorandum of understanding presented for consideration to the Ministry by the USAID SAVE project—in 2003 RAPA staff examined how to rationalize and simplify the registration and commercialization of seed and planting stock. The appropriate legislation was drawn up and submitted to the government for transmittal to the Parliament, but it has not yet been acted on. The recent World Bank consultative missions have suggested that the seed system should be simplified even further and included in the Phytosanitary department, so that the Ministry would retain a Veterinary

Department and a separate Plant Health unit including seed and selection matters rather than the “unified inspection” and separate seed and selection unit earlier envisaged. This solution is probably more reasonable, but in any case the laws are likely to be pending for a while yet given the upcoming parliamentary elections.

Restructuring of Strategy and Policy Department

The benchmark restructuring plan including rationalizing the functions of the “Strategy and Policy Department” of the Central Apparatus of the Ministry. It is planned to create from it a dedicated unit to management procurement tenders, which are now done on an ad hoc basis and which, given the complexity of the Georgian law and the need to monitor implementation, is a poor procedure. In addition, a separate unit to handle agricultural economics research, now also done on an ad hoc basis in this department would be established. Finally, the department’s present financial functions, which include preparing economic plans for submission to the Ministry of Economics, drawing up special programs for budget financing, planning the Ministry’s budget, and reporting on its results, would be given to a finance department. The Ministry again lost interest in this proposal when it became clear that there would essentially be no budget monies in 2003, and by the time this work was scheduled to begin according to the benchmark restructuring plan all energies were taken up by the fight over bread prices and to defend the Minister during the parliamentary election campaign.

Second RAE

In 2003 the Ministry noted that there considerable funds remained unspent from the RAE, and the RAPA once again assisted in drawing up a submission to the World Bank to use them. Learning from experience, this time only two tasks were given to the unit: inventorying and auditing Ministry subordinate units, especially those to be restructured, and beginning the process of introducing International Public Sector Accounting Standards (IPSAS), as required in the 2003 Law on the Budget System, within the Ministry. At present the unit has made quite good progress on the first task, and has also, in collaboration with the RAPA, undertaken the task of translating the standards. There was some confusion between the Ministry of Agriculture and the Ministry of Finance on the IPSAS issue, but it appears to have been resolved amicably.

WHY DID SOME THINGS SUCCEED AND OTHERS FAIL?

Some regularities are immediately obvious from this discussion. The project has been most successful with policy issues and with structural issues that were being driven both by immediate needs of the Ministry and direct interests of Ministry top management. The RAPA has been least successful when it attempted, or supported attempts, to impose an overall structural change on the Ministry. Activities of which the fate are still uncertain may have some of both characteristics but it also notable that they tend to be the areas requiring the most technical knowledge, which means both that “experts” in the Ministry of Agriculture may be most able to oppose the changes by arguing from their expertise to Ministry management and that the project and its staff may be hesitant to insist on action or still refining their own views.

Difficulty of systemic reforms

Efforts at systemic change take the most time, attention, and resources. They are also most likely to be dependent on a cascade of other changes, or to require the broadest support constituency within the Ministry of Agriculture, the government, and society. Therefore they are intrinsically more difficult and strain the limited resources available. So they are most likely to become cases where the project is attempting to do too much, or too many things, at once.

A second reason why systemic change has been less successful follows from the diagnosis of the Ministry itself. Just as the Ministry is fragmented, so is the Ministry itself a fragment of a larger government which, in many respects, lacks basic coordination mechanisms and, until the “Rose Revolution,” lacked a policy vision among its top leadership. In the absence of a national leadership that understood not only the getting and keeping of power but also its purposes, and which was willing to enforce coherence among subordinates in pursuit of a unified policy, any coherent reform of a single agency of the government, no matter how important, could have only limited success.

A third reason for the difficulty of systemic change was the former Minister’s growing isolation in the Georgian government during the time the project has been in existence. At the end of 2001, the Georgian “ruling party” split as the Levan Mamaladze faction drove out the Zurab Zhvania loyalists. Not only did this rupture lead to an interregnum during which the whole government was suspended, as a result of which First Deputy Minister Nugzar Mamaladze wound up in charge of the “lite” attestation, but its resolution led to Kirvalidze becoming the only “Zhvania team” minister left. He believed that he could do more good for the country and agriculture by remaining than by resigning, and was apparently so advised by all parties, but over the following two years his position within the government continuously weakened. Although he remained in office, he became increasingly unable to do anything that required coordination with the rest of the government, especially after he was almost removed over bread prices in the summer of 2003. This situation had the side effect of increasingly diverting RAPA staff attention and time – and that of the entire donor community – from policy reform and administrative change to simply fighting off bad-faith bureaucratic assaults on the Minister and the Ministry. As noted above, the fact that the resources of the Ministry of Agriculture were not available to the government for use in helping to buy the 2003 parliament elections was clearly an important factor in the eventual outcome, but achieving this result took time and energy away from other things.

Management weakness

The Ministry of Agriculture senior management have little effective staff and sometimes seem unable to use what they have. Given the legal obstacles to disciplining poor workers and the low salaries, this may not be surprising. However, Ministry senior staff also do not expect good performance from their middle- and lower-level staff. This is a cultural difference. People in market economies may complain about low pay, but if they take a job, they—and their supervisors—expect minimally competent performance. The alternative is looking for a new job. This is not the expectation of the Ministry management.

As a result, Ministry senior staff attempt to do too much themselves. Under the Shevardnadze government, higher officials also expected too much attention to detail of

their senior subordinates while not delegating enough authority to run day-to-day matters. This is a universal tendency in all organizations, but better organized organizations, including more effective governments, have structures and systems in place to mitigate the problem. The Georgian leadership did not even see the need for such delegation. As a result, all senior officials have been completely frazzled.

The same can, to some extent, be said of the RAPA project, reflecting both the cultural expectations of people trained in the Soviet system and the strategic decision to rely on more Georgian staff rather than a limited number of expatriate consultants. As a result, the chief of party at times is too caught up in “fire-fighting” analogous to that done by senior Ministry staff. This also causes difficulties for some RAPA staff who need the boss to make at least a symbolic appearance with middle-level Ministry of Agriculture staff. The solution to this problem suggested at the self-analysis workshop by several staff members was the creation of small, permanent working groups to deal with particular Ministry officials and units. This has been informally done in any case. It may be that formalizing those relationships would be useful. It is also possible that a more formal project management structure would be helpful.

Insufficient education of stakeholders

A further reason for the difficulties of efforts at systemic change is that they have run ahead of the Ministry of Agriculture senior management’s understanding of the need for such changes and their potential benefits. The deputy ministers and minister, jointly and individually, have clearly not always understood why systemic change would be in their interest. This appears to be a failure of imagination and understanding (perhaps attributable to the Soviet educational system, which emphasized details in order to obscure “the big picture”) as well as a critical failure of explanation by the project.

There appears at times to have been a parallel lack of understanding of the project strategy in USAID. The RAPA project does not fit neatly into the USAID mission organization and management structure, since it facilitates and is a necessary condition for agricultural growth and development while often being directly concerned with issues that fit more neatly under the rubric of governance. Moreover, the project was designed by a mission management team that has since departed, and even that team was less than unanimous in its support. (It was somewhat disconcerting to be told by the then Mission lawyer, during a discussion of why the project could not directly work on the 2001 personnel attestation, that “I did not support this project.”)

These parallel failures to understand project strategy are perhaps inevitable – contractors are hired to resolve difficult problems that are likely to be imperfectly understood by all concerned at the time of initial project design and even contracting– but they also suggest that the project has not consistently or sufficiently effectively articulated its goals, strategy and successes. One reason for that is structural: a project that is to improve the functioning of the Ministry of Agriculture will undercut itself if it is too forward in announcing its successes and claiming credit for them rather than quietly allowing the Ministry itself to publicly do so. A second reason is certainly that everyone involved—Ministry senior management, project staff, and USAID – are very busy and concerned with many complex issues at once. However, those reasons do not seem to be an entirely adequate explanation of this difficulty, and it will bear further consideration as the next work plan is developed.

Donor dependence

Although more than half of all adult Georgians get at least some of their basic food supply from farming, usually on subsistence plots, and although development of the country's export potential is always identified as a policy priority, since 1991 the agricultural sector and the Ministry of Agriculture has usually been viewed within the government as a source of resources for other purposes, and the Ministry itself has been highly dependent on donor assistance. At least since the European Union TACIS began the Regional Agricultural Revival Project (RARP) in 1996, much if not most of the Ministry's budget for items other than salaries has come from donors. Moreover, funds for agricultural development have been almost entirely generated from donor projects (the World Bank Agricultural Development Project, the World Bank Water Users' Association/Irrigation Rehabilitation Project, IFAD, various smaller FAO projects, use of European Union and US monetized commodity proceeds, etc). Much of the country's basic food supply since 1992 has come from donations either of straight humanitarian aid or as monetized commodities. One reason David Kirvalidze became Minister of Agriculture was that his predecessor had exhausted the patience of the donors, and so Kirvalidze found when he was appointed that he, and his Deputy Shervashidze, who handled relations with humanitarian aid donors and FAO, had to move to regain donor confidence and obtain additional funding from them in order to keep the sector, and the Ministry, alive at all.

This donor dependence had three effects on the project's activities. First, it meant that RAPA came into an environment where many Ministry staff were used to thinking of the donors as rather stupid but generous sugar daddies who could and would do anything from paying department phone bills to providing them the use of free automobiles. Early on, the chief of party almost closed the project when RAPA staff lawyers were told by a senior Ministry employee that they should "share" some of their salaries with the Ministry's legal staff. Such kickbacks were apparently common practice in the government, and the rationale in this case could even be seen as altruistic: a way to deal with the problem of unrealistically low salaries. The employee was reprimanded. In another instance, the chief of party was told by a mid-level Ministry official that his job was to evaluate donor projects. Would the project please pay for a translator to assist him, a person whom the Ministry official would select?

Everyone who made similar requests was simply but firmly told that they could not and would not be met and would lead to the end of the project if repeated. RAPA employees are instructed in the employee policies that payment of any part of earnings to anyone who claims the right to them because of "help" in finding the job or as a supposed condition of retaining employment would result in immediate dismissal of the employee concerned. Since the project cannot control the actions of a few venal or well-meaning but unethical officials, it can provide employees with a defense against such demands.

A second consequence of the Ministry's dependence on donors was a surplus of foreign projects and advisors. The World Bank Project Coordination Center (managing the ADP, ARET and Water Users' Projects) sometimes seems to have as many employees as the WB resident mission. The European Commission Food Security Program provided a full-time policy advisor until 1992 and expects to do so again in the near future. Every individual donor project has a resident director. Coordinating disparate individuals with

varying experiences, viewpoints and cultural norms, requires significant effort of all concerned, particularly the Minister.

A third consequence of this situation, and then of political developments after the fall of 2001, was that Minister Kirvalidze was forced to pay most attention to relations with the donor community. He enjoys and is very good at this diplomatic role—at one point, USAID explained a trip to the US in Washington simply by saying that he was “the only competent Georgian minister”—but the result was very considerable delegation of authority to deal with issues inside the Ministry to his deputies. Unfortunately, some of that delegation involved basic policy decisions that could not effectively be shifted to others, or which, at least, senior subordinates were not always seemingly willing to accept.

Use of consultants and “scutwork”

The benefit of a consultancy or advisory relationship is that the consultant is not part of the regular organizational culture and so can do things that line staff can not. However, a consultant or advisor must also know enough about the organization being advised to be effective, and must be seen and understood by the decision makers in that organization to understand them and their concerns. Moreover, the most effective training in organizational change is often by showing how something should be done while holding the student’s hand through the process. The danger here, of course, is that the consultant will become simply a part of the usual staff and, when paid for by a donor, simply “cheap labor” for the Ministry. The threat is especially acute in the case of RAPA, where staff must work closely with the Ministry of Agriculture to be effective and where, because of the dynamics of the triangular relationship between Minister, AID mission and the project, it has not always been certain that USAID would back the project in an unavoidable confrontation with the Ministry. There is no solution to this danger except to be aware of it.

A more tractable problem is that the Ministry does not really understand what consultants are for or how to use them. As noted already, Ministry staff have learned in the past decade to treat foreign consultants as benefit dispensers and advisors whose advice could be disregarded with impunity. At the first meeting of the Restructuring Commission, one senior Ministry staff member commented that this would be the fifth time he had been asked to provide “recommendations” to restructure the Ministry. At least one deputy minister and other senior staff have made clear that if only they had consultants’ salaries they too could work like the RAPA staff. Such difficulties are usual in the consulting business. They also provide another indication, however, that the Ministry senior management does not yet really grasp the concept of making policy choices and the use of resources to help implement those choices.

PRELIMINARY EVALUATION OF PROJECT STRATEGY TO DATE

The strategy discussed above seems to have generally been successful when it was followed. Deviations from the strategy for whatever reason tended to result in failures. In particular, attempts at broad structural reforms tended to be politically more difficult and so far unachievable. This tendency may have resulted in part from reliance on Georgian staff to carry them out. It is possible that more use of experienced short-term expatriate consultants would have led to better results as they could have pushed harder

for change. However, when the problem lay with the parliament or other Georgian government agencies it is not entirely clear that expatriate assistance, or greater pressure from the donor community in Georgia, would have led to a positive outcome. RAPA experience, and experience of policy reform elsewhere, suggests that donor pressure is better at stopping bad ideas than at imposing good ones. Positive change tends to be a long process of coalition-building, even if the goal can sometimes be usefully expressed as a condition and even if having such conditionalities can be useful in building the coalition.

Certainly in cases where the RAPA staff were not sure of their technical knowledge, having a specialist in a subject would clearly have been helpful, which is why working with the World Bank on food safety, Veterinary and Phytosanitary reform can be so beneficial. However, it should also be noted that the strategy of combining donor resources has high transaction costs in general and particularly intensively uses staff time.

However, it should also be noted that the ultimate goal is systemic change. The Phase II extension benchmarks were an attempt to shift from a strategy of focusing on important and significant “targets of opportunity” to one of more systemic change. The fact that they were not entirely achieved, and that the project was largely driven back to defending the Minister rather than changing the Ministry in late 2003 does not mean that the project should not shift focus to more systemic changes. The issue is how to ensure that such efforts bring better results.

CRITICAL ASSUMPTIONS FOR FURTHER WORK

The activities proposed for the period through June 2005 depend on five critical assumptions. To a certain extent, the RAPA project, with USAID support, can help ensure these assumptions are correct, but they are far from entirely under the control of the project or USAID, nor can they be predicted with complete confidence. These critical assumptions are:

Support from the Minister of Agriculture

As noted at the beginning of this assessment, the Ministry of Agriculture has just had a new minister appointed. As part of his settling in, he has been examining the basic structure and functions of the Ministry. This reexamination will continue and is likely to lead to some redefinition of responsibility of his deputies as they are confirmed and other changes in the chart of organization. He, or someone like him, remains in office, and has the power to support the RAPA’s efforts.

Support from the executive branch of the government of Georgia

The discussion above indicates that a second critical assumption of the project design and activity, that the Minister would have enough autonomy within the government and support from higher levels to push through reform. This assumption turned out to be increasingly doubtful during Minister Kirvalidze’s tenure in office.

A related problem is competition between agencies of the government, particularly the Ministry of Agriculture’s relations with the Ministry of Finance and the Ministry of the Economy (including Sakstandarti). In any government, relations between the spending

ministries and the Ministry of Finance will be difficult because of the different tasks of the agencies.

As discussed in the RAPA project reports, a somewhat similar interagency conflict developed in 2003 between the Ministry of Agriculture and Sakstandarti (now part of the Ministry of Economy) over food standards. There are also continuing issues between the Ministry of Economy and the Ministry of Agriculture over the legal requirement that the Ministry of Economy prepare an annual national economic plan and approve “special programs.” Again, these tensions must be managed for the RAPA’s activities to be successful.

Support from the Parliament of Georgia

Many project activities, especially systemic reforms, depend on changes in existing law and so on support in Parliament. That support, as shown most dramatically by the failure to pass even a minimally improved Veterinary Law, has not been forthcoming from the legislative body elected in 1999.

Following the Rose Revolution the expansion of assistance to Georgia by the donor community assumes that the new government will in fact support more thoroughgoing and consistent reform. It is also most to be hoped that the parliament scheduled to be chosen at the end of March, 2004, will prove more receptive to reforms than in the past. Should these hopes turn out to be futile, it will be very difficult to successfully carry out the activities described below.

Support from the donor community

There are many donors with disparate interests and ideas about what should be done. After considerable effort, the RAPA project has gained a major role in the design and technical support of donor assistance to the Ministry of Agriculture. As noted below, the design for the World Bank ADP follow-on project to start in January 2005 has been greatly influenced by the RAPA’s work and staff have worked closely with the design team. Moreover, the Food Security Program is now closely coordinating its conditionalities and operations with both RAPA and the World Bank. Continuation of these close, collegial relations among projects in the Ministry is a necessary condition for success in the activities proposed below.

Support from the donor community is also needed at a higher level, however. Because Georgia is dependent on the international financial institutions there are additional complications. The Ministry of Finance is seeking desperately to fulfill IMF conditionalities. At times “getting the money” may take precedence over interpreting and fulfilling a condition in a sensible way. This pressure tends to be multiplied by the time it reaches the spending ministry. Moreover, there are likely to be serious differences of opinion between advisors in the various institutions that may or may not mirror those of their ministers. For instance, the European Commission FSP eventually had to withdraw its advisors from both the Ministry of Agriculture and the Ministry of Finance because the two could no longer cooperate. The recent issue of IPSAS between the RAE and the US Treasury Advisor in the Ministry of Finance may have had similar roots, but was, fortunately, handled more amicably.

Support from civil society

In a developed market economy, support from stakeholders outside the Ministry would be critical in driving any reform. In Georgia, too, such support can be very useful. Indeed, the Ministry, with project support, is in the process of setting up a National Codex Alimentarius Committee to link private food processors and others interested with the government agencies that represent Georgia in the international Codex Commission. The Ministry will also continue, through its press office to explain the purposes of its reform to society at large. Finally, Minister Shervashidze, who made it a practice while a Deputy Minister to visit the countryside each weekend and talk with farmers, can be expected to pay considerable attention to rural residents as a potential reservoir of support.

ANTICIPATED ACTIVITIES

As previously mentioned, the World Bank is now completing design work on a large loan to follow from the Agricultural Development Project that would include as one component major funding to restructure and retrain the Veterinary Department and Plant Protection Service. The latter would lose any remaining “production” functions and become a Plant Health service, incorporating seed and planting material registration and commercialization functions. This project would also include major funding to create a Food Safety Agency, to evaluate food risks, that would follow the European Union model and be separate from existing Georgian government agencies. Such a separate agency is theoretically the best approach as it is free of conflicts of interest. Ministries of Agriculture serve both producers and consumers, and that creates an unavoidable tension between the interests of the two groups that occasionally has very unfortunate public health effects, as in Britain during the BSE crisis. The RAPA project had until recent governmental changes and this World Bank intervention been willing to accept the second-best solution of a unit, headed by a Deputy Minister, in the Ministry of Agriculture simply because of doubts that a free-standing agency could be created, staffed or defended from capture by individuals seeking to turn it into a source of private rents. (This was essentially the “unified inspection” idea discussed above.)

However, not only is the Bank now willing to provide the funds to make these reorganizations and a separate Food Safety Agency possible, the European Commission Food Security Program has included in its draft conditions for funds to be given to the budget in 2004 the preparation of specific plans for these changes and the laws to effect them. Specifically, the conditions for payment of a tranche in June 2004 will require that a Food Safety Code – incorporating the idea of a separate Food Safety Agency -- acceptable to the major donors in the Ministry of Agriculture be prepared by then. A further conditionality to be completed by that date are plans to restructure the Veterinary Department, Plant Protection Service, and Seed and Selection agencies in ways acceptable to the major donors in the Ministry. Release of a second tranche in October 2004 will then be conditioned on submission of the appropriate enabling legislation, also in a form acceptable to the donors in the Ministry of Agriculture, by that time. A final benchmark, also to be met by June, requires that the Ministry establish a working group to develop the existing Ministry strategy into a more coherent medium-term plan of action with clearer priorities and cost estimates attached. These benchmarks have been drawn up by the FSP in consultation with the World Bank and the RAPA, and assume that RAPA staff will have a key role in the planning and program development.

If these ambitious deadlines can be met, it will then be possible to proceed with seriously restructuring several major Ministry agencies in 2005. The expectation of the World Bank is that RAPA or will provide the needed resident technical assistance for this effort (with the Bank providing additional specialized expatriate technical expertise) in the Ministry. Another part of this World Bank effort will provide investment capital for private-sector financing projects under development by the SAVE.

In addition, the European Union TACIS budget management project to be tendered in April, 2004 will concentrate on improving the flow of budget information within the Ministry and reorganizing the Strategy and Policy Department. The current draft terms of reference for that project anticipate providing an expatriate public finance expert and an agricultural economist who can handle agrifood sector budget planning to the Ministry for two years.

If these ambitious plans, in which RAPA staff have had a considerable role, do come together as anticipated, a multidonor effort should provide the skills, on-the-ground continuity and financial resources to break through several of the most important bottlenecks in reorganizing the Ministry and creating renewed institutions with much greater capability of protecting animal, plant and human health, ensuring that Georgian farmers have access to world-class seed and plant varieties, and that the Ministry can provide much more and better “public good” economics research and analysis for the country’s agri-food sector.

ANNEX 1. PROJECT STAFF AS OF FEBRUARY 28, 2004

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David Tskhvaradze	Senior guard	
Koba Tsirekidze	Guard	
Giorgi Tvildiani	Guard	
Leri Giorgadze	Guard	

ANNEX 2. FACILITATOR'S REPORT ON PROJECT SELF-ASSESSMENT WORKSHOP, FEBRUARY 21, 2004

Zurab Bigvava

With the purpose of project self-assessment, the workshop of the task force group was held in the collegium hall of the Ministry on February 21.

All project employees listed below attended the meeting:

Nutsa Amirejibi, Rusudan Arveladze, Maka Babunashvili, Nino Beradze, David Beridze, Vasil Bibiluri, Otari Chigladze, Vasil Chigladze, Giorgi Dangadze, Alexander Didebulidze, Irakli Donjashvili, Leri Giorgadze, Avtandil Iakobidze, Irakli Inashvili, Tiko Janashvili, Levan Khundadze, Bidzina Korakhashvili, Giga Kurdovanidze, Ana Shubladze, Koba Makharadze, Giorgi Managadze, Lika Margania, Mamuka Matiashvili, Jemal Mchedlishvili, Giorgi Misheladze, Ketik Shengelia, Vazha Tabatadze, David Tskhvaradze, Giorgi Tvildiani, Nana Tsuladze, Teimuraz Maghalashvili, Sophie Kemkhadze, Don Van Atta

Facilitator:

Zurab Bigvava /Psychologist, Expert, Doctor of Sciences/.

The workshop was opened by Mr. Van Atta, who described the initial goal of the project. He also referred to particular objectives, on-going activities, problems and possible perspectives of the project. Mr. Van Atta fixed his position as “a listener”.

The Facilitator proposed the following work plan:

- I Stage – Review of the positive sides of the project activities;
- II Stage – Assessment of the problematic sides of the project activities;
- III Stage – Evaluation of perspectives of the project activities for the near future; active tasks to be tackled.

Description of the Task Force Group Activities:

Micro “Leader Group” was formed within the group consisting of 35 persons even in the beginning of the workshop. This was natural, because the competence and involvement in discussion of the professional staff was much higher compared to the technical personnel. Group dynamics was increasing without any impeding impulses. Within the active group, specialists of high formal competence took on the role of “the conservatives”, while the young members were “constructive”. Such distribution of roles was maintained through the whole period of problem discussion. Breaks turned out to be particularly productive, because deliberations in informal conditions carried the character of utmost frankness. After that, group discussions were extremely useful.

Brief Description of the Results Attained:

Positive results: The Project managed to fulfill its major task. It rendered considerable assistance to the Minister and the Ministry in the regulation of current matters. Agricultural Development Strategy is developed within the project. It is absolutely logical that this conception undergoes the process of permanent renewal.

The Project helped the Ministry with solution of range of technical issues. Auditing of the subordinated agencies of the Ministry has been carried out within the frames of the Project.

Extremely Important: Several versions of restructuring plan have been elaborated within the project. First stage of restructuring is already completed. So-called “Light Attestation” has been carried out. According to the group members, this was a very important preparatory phase preceding the “real” attestation, implementation of which in the near future won’t be painful or provoking the extreme forms of protest.

The structural reform draft proposed by the project has a form of a differentiated plan indicating the schedule of the activities, parties to agree with, responsible persons both from the project and the Ministry. At the same time, it should be noted that according to separate directions, special, diversified reorganization plans are developed and they almost carry the form of legal documents.

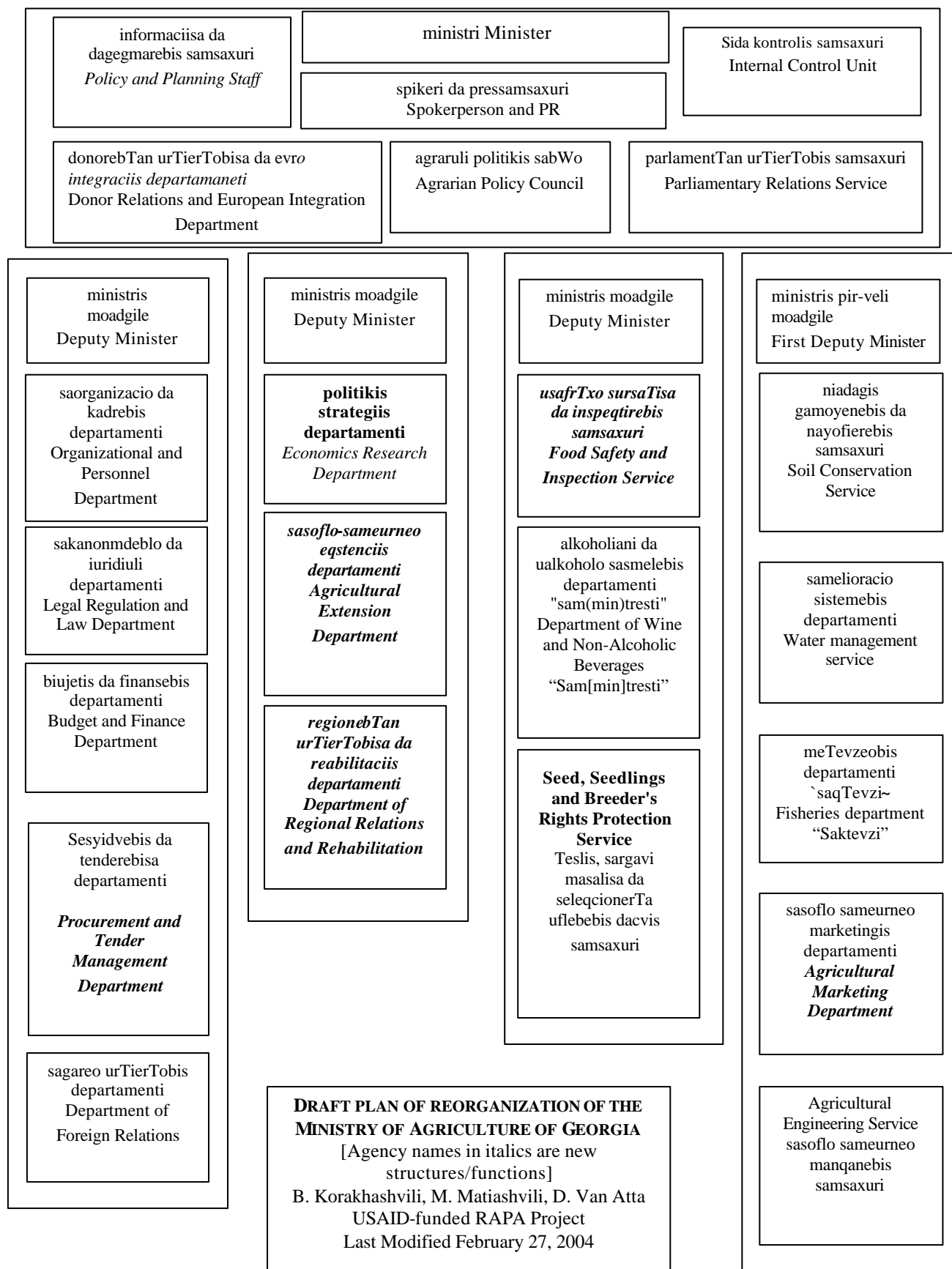
Problems: The Group considers, that closer coordination and co-operation with the Ministry is needed. Only the Restructuring Commission is either insufficient or ineffective due to the form and style of its activities. It is indispensable to create micro groups from the competent representatives of Project and the Ministry according to various directions. New form of coordination in regard to restructuring is to be created within the project. /To some extent, deficit of information exchange is noted/.

The Project is to distance itself from the daily routine of the Ministry as far as possible and to concentrate on creation of the final system of restructuring plan. Documents giving the final form to the existing restructuring plan are to be elaborated. So-called feasibility plan is to be designed in the structures, where the decisions are to be made. The necessity of developing a presentable version and its fulfillment as of the benchmark is observed. /During the workshop, it became obvious that the views expressed by experts include “tacit” assumptions, thus, making the essence of the problem incomprehensible for the listeners/.

Perspective: Considering the current complicated political processes, statements made by the President and the Government of Georgia and the Law adopted on February 14 by the Parliament, intense works are to be carried out for drawing up the final version of the restructuring plan, creating a full package and planning its realization. This should be the main direction of the project for the coming 1-year period. It should also be mentioned that the restructuring plan is to be fulfilled on the basis of an overall conception and through phases.

*Translated By Nutsa Amirejibi
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ANNEX 3. PROPOSED STRUCTURE FOR A COMPLETELY REFORMED MINISTRY OF AGRICULTURE OF GEORGIA



ANNEX 4. ABBREVIATIONS

ADP	World Bank Agricultural Development Project
ARET	World Bank Agricultural Research, Extension and Training Program
APU	Agricultural Policy Unit
BASIS	Broadening Access and Strengthening Input Market Systems (USAID indefinite quantity contract)
CASE	Center for Social and Economic Research (Polish NGO)
DAI	Development Alternatives, Incorporated
EC	European Commission
EU	European Union
FAO	United Nations Food and Agriculture Organization
FSP	European Commission Food Security Program
ICU	Internal Control Unit
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
OECD	Organisation for Economic Co-operation and Development
RAPA	Restructuring Assistance and Policy Advice for the Ministry of Agriculture and Food of Georgia
RAE	World Bank ADP Risk Assessment Exercise
RARP	Regional Agricultural Revival Project
SAEPR	Polish Foundation for Support to Agriculture APU
SAVE	Support for Added-value Enterprises
SRB	State Regulatory Board Ltd.
USAID	United States Agency for International Development
WB	World Bank
WTO	World Trade Organization